

BRIEF IN SUPPORT OF PETITION.

THE COURT OF APPEALS' DECISION IS NOT SUPPORTED BY ANY PRECEDENT.

The Court of Appeals itself said that "there is no decided case applying the Declaratory Judgment Act in a situation quite on all fours with the present". (Opinion, Tr. p. 43.)

Respondent, in its reply brief before the Court of Appeals, said that the case is "a case of first impression".

Borchard in his leading work on declaratory judgments says:

"In a suit by the alleged infringer of a patent against the patentee for a declaration that the petitioner is not infringing or that the defendant's patent is invalid, *a threat or claim of infringement emanating from the patentee to the petitioner or his customers is always necessary.*" (Borchard, Declaratory Judgments, Second Edition, 1941, p. 43.)

In *Thermo-Plastics Corp. v. International Pulverizing Corp.*, 42 Fed. Supp. 408, 410, 411 (D.C. N.J., Avis, D.J.) the Court said:

"The question is—Is there an 'actual controversy' in the instant case; *that is, has the patentee under the proofs submitted made some claim that its patent is being infringed?*

.

"To me, it is quite clear, under the proofs, that no charge of infringement has been made, and that defendant should have summary judgment in its favor."

Emphasis throughout this brief is ours.

In *Meinecke v. Eagle Druggists Supply Co.*, 19 Fed. Supp. 523, 525 (D.C. S.D. N.Y., Patterson, D. J.) the Court said:

"Only by inference is it alleged that the plaintiff has ever claimed that the defendant is infringing these patents. As to them, the controversy may be wholly imaginary; at best it is tenuous. Declaratory judgment may be issued only in cases of actual controversy, otherwise the courts will find themselves passing on questions that are moot or academic. The plaintiff is accordingly entitled to an order dismissing the counterclaim in so far as judgment declaring invalidity of the two patents not involved in the plaintiff's bill is asked for."

In *Engler v. General Electric Co.*, 29 Fed. Supp. 421, 422 (D.C. S.D. N.Y., Hulbert, D.J.) the Court said:

"Federal jurisdiction exists when a case arises under the Patent Laws (Judicial Code, Sec. 24(7), 28 U.S.C. Sec. 41(7), and is limited, so far as I am aware, in actions for a declaratory judgment, to that class of cases where the plaintiff has been accused of infringing the defendant's patent and without waiting for the defendant to bring an infringement suit, seeks a declaratory judgment on the issues of validity and infringement."

These are authorities of no mean standing.

Borchard's book is the leading work on the subject of declaratory judgments, and Professor Borchard was one of the principal witnesses to appear before Congress in favor of passage of a declaratory judgment act. (See Hearings on H.R. 5623 before sub-committee of the Judiciary Committee of the Senate, April 27, 1928, 70th Cong., 1st sess.)

Judge Patterson, who decided *Meinecke v. Eagle Druggists Supply Co.*, *supra*, was the author of the pioneer

decision sustaining jurisdiction under the Declaratory Judgment Act of a suit to declare a patent invalid or not infringed (*Zenie Bros. v. Miskend*, 10 Fed. Supp. 779, D.C. S.D. N.Y.)*.

These authorities, relied on by the District Court, are, then, by no means to be lightly regarded. Yet the Court of Appeals did not discuss them.

Another case which the Court of Appeals did not mention was an earlier decision by Judge Biggs, one of the judges who sat in this case, in which Judge Biggs, sitting in the District Court for the District of Delaware, held that an action for a declaratory judgment of invalidity or non-infringement of a patent could not be maintained where the defendant had never threatened the plaintiff, notwithstanding the fact that the defendant had threatened to sue and had actually sued many others for infringement of the patent. In that case, *National Hairdressers' & Cosmetologists' Association et al. v. Philad Co.*, 58 U.S.P.Q. 465, decided January 12, 1943, the Court, citing the decision of the District Court herein with approval, said:

“National has alleged itself to be both a direct and

*“The complete acceptance of the remedy by the courts as a relief to harassed and threatened manufacturers and dealers owes much to the pioneering hospitality to procedural reform of Judge Patterson of the Circuit Court of Appeals for the Second Circuit, who in several notable opinions gave the declaratory judgment in patent cases a penetrating application. In the first important federal case, *Zenie Bros. v. Miskend*, where the patentee had threatened a manufacturer and his customers with infringement suits and was thereupon sued by the alleged infringer for a declaratory judgment that the patent was invalid for lack of invention, Judge Patterson refuted the customary charges that the claim involved no ‘actual controversy’, that there was no ‘legal relation’ between the parties, that the plaintiff infringer sought to anticipate defenses, that the action for a ‘negative declaration’ did not involve the plaintiff’s ‘rights’, that the action did not arise ‘under the patent . . . laws’.” (*Borchard, op. cit. supra*, pp. 804, 805.)

contributory infringer and, if the patent [Re. 18841] be valid, might perhaps be sued as such. *The defendant, however, so far as this record shows, has never asserted that National is an infringer and has not threatened National with suit. It follows that National as a direct or contributory infringer cannot maintain on the pleading as now constituted an action under the Declaratory Judgments Act. See Thermo-Plastics Corp. v. International P. Corp., 45 F. Supp. 408 [52 USPQ 56], and the decision of this court by Leahy, J., in Dewey and Almy Chemical Co. v. American Anode, Inc., 47 F. Supp. 921 [55 USPQ 409, 411]. If the defendant had sent Exhibit A or Exhibit B or any similar notice to National I should hold that there was a justiciable controversy between National and the defendant under the ruling of the Circuit Court of Appeals for this Circuit in Treemond Co. v. Schering Corporation, 122 F. 2d 702 [50 USPQ 593]. The amended complaint contains no allegations, however, which would make the Treemond case applicable."*

Instead of discussing these authorities, the Court cited certain decisions of this Court and other courts, which did not involve the applicability of the Declaratory Judgment Act to a situation such as is here presented, and which are all entirely consistent with the proposition of law laid down by Borchard and the district court cases above cited, which the District Court here followed.

In *Aetna Life Insurance Co. v. Haworth*, 300 U.S. 227, cited by the Court of Appeals, the fact was, as stated in this Court's opinion (300 U.S. p. 242), that *prior to the suit "the parties had taken adverse positions with respect to their existing obligations"* and, at 300 U.S. pp. 237, 238, this Court took pains to describe particularly the formal statements of claim which the defendant had made on the

plaintiff and which created the controversy. The case was in fact cited by the Court of Appeals merely as supporting the proposition that the terminology, "cases of actual controversy", of the Declaratory Judgment Act should receive a liberal construction (Tr. p. 41).

Maryland Casualty Co. v. Pacific Coal & Oil Co., 312 U.S. 270 (discussed in the Court of Appeals' opinion at Tr. p. 42), involved a suit by an insurer against its insured and against a claimant (Orteca) in state court proceedings against the insured, for a declaratory judgment that its policy did not apply to the claim. The fact of a controversy between the plaintiff insurer and the insured defendant was not denied, so that there was a proper case for declaratory judgment in any event, and the only question was whether it was proper to join as a defendant Orteca who had, in the event of recovery against the insured, a right under state law to enforce his claim against the insurer (312 U.S. pp. 273, 274).

This Court held it proper to join Orteca, saying (312 U.S. p. 274):

"If we held contrariwise as to Orteca because, as to him, the controversy were yet too remote, it is possible that opposite interpretations of the policy might be announced by the federal and state courts. For the federal court, in a judgment not binding on Orteca might determine that petitioner was not obligated under the policy, while the state court, in a supplemental proceeding by Orteca against petitioner, might conclude otherwise."

Thus the joinder of Orteca as a party to the admittedly appropriate action for declaratory judgment was required by the necessities of the practical administration of justice in order to prevent the possibility of different decisions by different courts on the same question.

Moreover, Orteca had, by state law, a claim against the plaintiff insurer which he was engaged in prosecuting in the only way he could, namely, by first proceeding to recover judgment against the insured, and a proceeding for summary judgment against the insurer was the logical sequel to the state court action already begun.

There is, obviously, no parallel between the situation in the *Maryland Casualty* case and the situation here, where petitioner's suit against the Lee-Tex Company can give rise to no right or claim whatever against respondent.

The other cases cited by the Court of Appeals were suits for declaratory judgment of invalidity or non-infringement of patents in which the defendant had charged plaintiff with infringement of the patent, either directly, or indirectly by threats to plaintiff's customers or by actual suits against them.*

**THE EXISTENCE OF AN ACTUAL CONTROVERSY PRE-
SUPPOSES A PRIOR ASSERTION OF RIGHT BY ONE PARTY
AGAINST THE OTHER.**

The Court of Appeals said (Opinion, Tr. p. 43):

"The fact that Anode did not learn until the present complaint was filed that Dewey & Almy was practising the coagulant-dip process commercially does not nega-

* In *E. Edelmann & Co. v. Triple-A Specialty Co.*, 88 Fed. (2d) 852 (C.C.A. 7th), cited Tr. p. 40, the defendant (appellant) had charged that plaintiff was infringing the patent and had stated "to appellee's customers and prospective customers that unless the infringement should be discontinued, suit would be entered against appellee and dealers." (88 Fed. (2d) p. 853.)

In *E. W. Bliss Co. v. Cold Metal Process Co.*, 102 Fed. (2d) 105 (C.C.A. 6th), cited Tr. p. 42, the defendant had "charged customers of the plaintiff with infringing its patents through the instrumentality of mills purchased from the plaintiff" and had "brought suits against them". (102 Fed. (2d) p. 109.)

(Footnote continued next page).

tive the existence of a case of actual controversy between them.”

We do not see how two parties can be said to be engaged in an “actual controversy” unless at least they both know about it.

We respectfully suggest that the very essence of an actual controversy is *an assertion of right advanced by one party and rejected by the other party*, a situation which obviously cannot possibly obtain when one party does not

(Continued).

In *Alfred Hofmann, Inc. v. Knitting Machines Corp.*, 123 Fed. (2d) 458 (C.C.A. 3rd), cited Tr. pp. 40, 43, the defendant had asserted to customers of the plaintiff “that the Schubert and Salzer machines and relevant parts distributed and sold by the plaintiff infringe the five patents” (123 Fed. (2d) p. 461).

In *Western Electric Co. v. Hammond*, 135 Fed. (2d) 283 (C.C.A. 1st), cited Tr. p. 43, defendant had brought suit for infringement against plaintiff’s customer, the United States (135 Fed. (2d) p. 285).

In *Treemond Co. v. Schering Corp.*, 122 Fed. (2d) 702 (C.C.A. 3rd), cited Tr. pp. 40, 41, the defendant had published a notice in a trade journal which the Court said “does threaten purchasers with suits for contributory infringement if they purchased plaintiff’s product” (122 Fed. (2d) p. 705). The Court specifically said “There can be no doubt that an ‘actual controversy’ does not exist until the patentee makes some claim that his patent is being infringed” (122 Fed. (2d) p. 705).

In *National Hairdressers etc. v. Philad Co.*, 34 Fed. Supp. 264, 41 Fed. Supp. 701 (D.C. D. Del.), aff’d. 129 Fed. (2d) 1020, (C.C.A. 3rd), cited Tr. p. 43, the defendant had distributed printed circulars to the members of the plaintiff association to the effect that they would be sued for infringement if they undertook to operate without license under defendant’s patent, and had actually brought many such suits (34 Fed. Supp. p. 266).

Petitioner has no quarrel with the proposition, which is all that these cases stand for, that a patent owner who makes claim of infringement to a manufacturer, or to customers of a manufacturer, has an actual controversy with that manufacturer concerning the latter’s claimed infringement and the validity of the patent.

even have any reason to suspect any invasion of his rights by the other party. As the Court said in *Maurer & Sons Co. v. Andrews*, 30 Fed. Supp. 637, 639 (D.C. E.D. Pa., Kirkpatrick, J.):

“An ‘actual controversy’ under the Declaratory Judgment Act cannot be created by taking a position and then challenging the Government, [defendant] to dispute it.”

A mere cause of action does not create an *actual controversy*. The cause of action may never be asserted by its owner; and the party against whom the cause of action exists may, if and when it is asserted, acquiesce in the claim. We submit that an actual controversy cannot exist between two parties *without an assertion of claim by one party against the other*.

Applying this principle to the case of a patent, it means, we respectfully suggest, that as Borchard says in the passage we have quoted above (p. 11):

“In a suit by the alleged infringer of a patent against the patentee for a declaration that the petitioner is not infringing or that the defendant’s patent is invalid, a threat or claim of infringement emanating from the patentee to the petitioner or his customers is always necessary.” (Borchard, *Declaratory Judgments*, Second Edition, 1941, p. 43.)

And, applying the principle to the facts of this case, it means that there was no controversy between these parties antecedent to the filing of the complaint, because petitioner had never advanced any claim against respondent whatsoever, and did not even know that respondent was carrying on or intending to carry on any process which would infringe its patents. Indeed, petitioner had every reason to suppose the contrary, for during the only conversations

which the parties had had regarding these patents—the negotiations of 1937 *instituted by respondent*, respondent had told petitioner that it was not using the patented processes; and the negotiations had terminated with an invitation by petitioner to respondent to reopen them if respondent should in future wish to practice the processes (Albright Affidavit, Tr. p. 34, summarized by the Court of Appeals, Opinion, Tr. p. 39, *supra*, p. 3).

**THE COURT OF APPEALS ERRED IN LIKENING THIS
CASE TO ONE WHERE THE PATENTEE HAS PUBLISHED
THREATENING NOTICES TO THE TRADE.**

The Court of Appeals' opinion, at Tr. p. 43, seeks to find the threat by petitioner to respondent, plainly a prerequisite to any controversy, in the mere fact of the pendency of the *Lee-TeX* suit. It likens the case to a case in which a patentee had published to the interested trade claims of infringement and threats of suit. The opinion says:

“If Anode had published a printed notice or circular asserting that use of the described coagulant-dip processes constitutes an infringement of its patents this would undoubtedly mark the existence of an actual controversy between the patentee and all persons who engaged in practising the process, whether they were known to the patentee or not. See *National Hairdressers' & Cosmetologists' Ass'n., Inc. v. Philad Co.*, 34 F. Supp. 264, 41 F. Supp. 701 (D. Del., 1940, 1941), affirmed, 129 F. (2d) 1020 (C.C.A. 3d, 1942). Anode's suit against the Lee-TeX Company, with the broad scope asserted therein for its patent claims, constitutes equally effective notice to whom it may concern that they practise the process at their peril.”

We respectfully submit that there is no such analogy, and that the Court's reasoning in this regard is erroneous.

A patent owner who notifies a trade generally that a particular process infringes his patent, and threatens suit against all infringers, as was done in the *National Hairdressers* case cited, directly threatens anyone in the class against whom his warning is directed, and may be presumed to have known or believed that all members of the class were infringing or contemplating infringement. But where, as here, the patent owner merely brings a suit for infringement, he confines his claim of infringement to the acts of the particular defendant. He does not, and, indeed, he may never, assert or contend that anyone else infringes the patent, even by similar acts. So petitioner, by its suit against Lee-Tex, asserted only that Lee-Tex was infringing the patent, and by that act neither invited nor created any controversy with anyone else. Petitioner gave no notice to the trade of the pendency of the Lee-Tex suit, and made no effort whatever to use the pendency of that suit as an "economic weapon". Any publicity which the suit received was due solely to the fact that Federal Court proceedings are open to the public and Federal Court opinions are published.

THE LOGIC OF THE COURT OF APPEALS' DECISION
WOULD EXTEND TO A SITUATION IN WHICH NO SUIT
HAD BEEN BROUGHT OR CHARGE OF INFRINGEMENT
MADE. BY THE MERE ACT OF TAKING OUT A PATENT,
A PATENTEE ASSERTS A MONOPOLY OF THAT WHICH
HIS CLAIMS PURPORT TO COVER.

We see no valid distinction between this case and a situation where a patent owner has never brought, nor threatened, suit under his patent against anyone,—a situation in which no one would argue that any controversy had arisen, and as to which the Court of Appeals itself says (Opinion, Tr. p. 41) that:

"It may be conceded that 'the mere existence of the

patent is not a cloud on title, enabling any apprehensive manufacturer to remove it by suit'."

By the mere act of taking out a patent the patentee asserts a monopoly of whatever his claims purport to cover; and he asserts that monopoly against the whole public. The subsequent bringing of a suit for infringement adds nothing to that assertion. It is actually a narrower assertion of right than taking out the patent, because it is confined to a particular alleged infringer and to a particular alleged infringement.

The Court of Appeals refers (Opinion, Tr. p. 43) to the position in which respondent is placed in that it must abandon the use of the processes in question, take a license or persist in "piling up potential damages".

That "position" has been in no way affected by petitioner's suit against Lee-Tex. It is the position of anyone who is using a patented invention without license, whether or not any suit under the patent has been brought by the patent owner. It is due to the mere existence of the patent which, under the Patent Laws, gives the patentee the right to proceed against infringers and to recover accrued damages. Respondent would be in this "position" just as much if the *Lee-Tex* suit had not been brought. (Parenthetically we remark that the argument of prejudice by delay comes with particularly poor grace from this respondent, since it kept petitioner in utter ignorance of its practice of any coagulant-dip process until this suit was filed, and petitioner therefore had no opportunity whatever to bring suit against it.)

Thus, if the fact of this unfortunate "position" of an infringer is any basis for the decision in this case, it would equally be a basis for holding that a suit for declaratory judgment of invalidity or non-infringement of a patent may be maintained *in the absence of any claim of infringement*

by the patent owner against anyone; and this is certainly not the law.

**JURISDICTION, IF MAINTAINABLE HERE, SHOULD BE
EXERCISED ONLY AT THE DISCRETION OF THE DISTRICT
COURT.**

In *Brillhart v. Excess Insurance Co.*, 316 U.S. 491, this Court reviewed a court of appeals decision reversing a district court judgment which had dismissed a complaint under the Declaratory Judgment Act because of the pendency of state court proceedings between the same parties. This Court held that while there was jurisdiction, it was, under the circumstances, to be exercised only in the discretion of the district court, which the court of appeals decision did not permit or direct the lower court to exercise. This Court therefore reversed the court of appeals decision and sent the case back to the district court for a determination whether, as a matter of discretion, jurisdiction should be exercised. This Court said (p. 494):

“Although the District Court had jurisdiction of the suit under the Federal Declaratory Judgments Act, it was under no compulsion to exercise that jurisdiction.”

And that (p. 495):

“We do not now attempt a comprehensive enumeration of what in other cases may be revealed as relevant factors governing the exercise of a District Court’s discretion.”

While we believe it plain, for reasons above stated, that there was no jurisdiction of the present suit under the Declaratory Judgment Act, even discretionary, still, if the Court of Appeals were right as to the point of jurisdiction, it is most certainly a jurisdiction to be exercised with

caution and only upon the District Court's discretionary determination that the interests of justice will best be served by entertaining the suit.

One factor in the situation which should certainly be taken into account in weighing the *pros* and *cons* of a discretionary action is the fact that the processes as to which the declaratory judgment is asked are, under the allegations of the complaint and respondent's affidavits, being employed only in the manufacture of articles for the United States Government, as to which, if they constitute infringements of valid patents, petitioner's rights may be limited to a recovery against the Government in the Court of Claims, under U.S. Code, Title 35, Sec. 68*.

Accordingly, petitioner, after fighting and winning this litigation on the issues of validity and infringement, might well be in a position where it could not recover a dollar from respondent by way of damages, even if the infringement had been substantial, and where it would, moreover, be under the necessity of *fighting the same issues over again* in a suit against the Government in the Court of Claims if it should attempt to pursue its rights further; for a judgment in favor of petitioner on the issues of validity and infringement in this proceeding would not be binding on the United States Government, at least as to goods sold *ante litem*.

In *Western Electric Co. v. Hammond*, 135 Fed. (2d) 283 (C.C.A. 1st), a suit for declaratory judgment concerning patents, in which the plaintiff, as here, was manufacturing

* (40 Stat. 705, U.S. Code, Title 35, Sec. 68.) "Whenever an invention described in and covered by a patent of the United States shall be used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, such owner's remedy shall be by suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture."

entirely for the Government, the court of appeals held that the district court rightly considered, as a basis for the exercise of discretion refusing jurisdiction, the fact that a decision in favor of the defendant would not be binding upon the Government in the infringement suits which the defendant had brought against the Government in the Court of Claims (135 Fed. (2d) pp. 286, 288). The same factor is present here on the allegations of the complaint.

Another factor present here which should be given consideration in any discretionary action is the fact that petitioner was without knowledge of respondent's use of any process which might infringe the patent, and that respondent at least took no step to inform petitioner, if it did not deliberately conceal the fact from it, so that petitioner had had no opportunity to sue respondent.

Still another, and a highly important factor in any discretionary action, is the fact that when the complaint was filed, petitioner was already engaged in a litigation on its patents, and a decision to entertain this suit would force it to defend its patents in two concurrent litigations. The fact that a patentee is engaged in a litigation on his patent is always recognized as a valid reason, against a defense of laches, for inaction against another infringer,* and is equally a reason for declining to entertain a suit for declaratory judgment, if the matter is one of discretion.

The opinion of the Court of Appeals makes no mention of any discretion in the District Court in the matter of jurisdiction, nor does it direct the District Court to con-

* *Clements Mfg. Co. v. Eureka Etc. Co.*, 70 Fed. (2d) 701 (C.C.A. 2nd);

United States Etc. Co. v. Wisconsin Iron & Wire Works, 290 Fed. 171 (C.C.A. 7th);

U. S. Mitis Co. v. Detroit, Etc. Co., 122 Fed. 863 (C.C.A. 6th); *Stearns-Roger Mfg. Co. v. Brown*, 114 Fed. 939 (C.C.A. 8th).

sider jurisdiction as a matter of discretion as, under the authority of the *Brillhart* case (*supra*, p. 22), it should have done if a discretionary jurisdiction exists.

**THE DECISION OF THE COURT OF APPEALS RAISES
HIGHLY IMPORTANT QUESTIONS OF FEDERAL LAW
WHICH SHOULD BE SETTLED BY THIS COURT.**

The effects of the Court of Appeals' decision in this case are far reaching.

Under the law as previously understood, the patentee retained the right, conferred upon him by the Patent Laws, of determining whether or not his patent should be litigated, and against whom suit should be brought. Only if he made threats or charges of infringement against a person, directly or through that person's customers, did he expose himself to suit for declaratory judgment, and then only by the person against whom the charges or threats were made.

This right is swept away by the Court of Appeals' interpretation of the law.

Under the authority of this decision, a patentee, once he has exercised his privilege of suing anyone for infringement, becomes subject to suits for declaratory judgment by anyone else who is using, or merely says he is intending to use, the patented invention; and he may be subjected to a dozen such suits at once.*

Thus a heavy hazard is placed upon exercise of the patentee's right to sue for infringement—a hazard which might well make even the most opulent patentee hesitate to seek to enforce his patent. And for a patentee with limited means, such a hazard would often be too great to be borne. He might better give up the rights which it is the purpose of the Patent Laws to confer upon him, than to

* Indeed, we see no reason why, if the Court of Appeals' reasoning is correct, the same result should not follow, if the patentee merely went so far as to notify anyone of infringement.

face the ruinous expense of defending his patent against an unknown number of contestants, each perhaps well able to stand the expense of a patent suit; and each perhaps having so limited his activities that no possible recovery against him would repay the expense of litigation.

Whether the Declaratory Judgment Act has the effect of so burdening and impairing the statutory right to enforce patents is obviously a question of vital importance to patent owners and to the public.

It is not too much to say that every patentee in the country is interested in the proper determination of the questions here raised.

The whole patent system is directly affected by the decision below.

**IF NOT REVIEWED BY THIS COURT, THE DECISION OF
THE COURT OF APPEALS IS LIKELY TO STAND AS THE
LAW FOR AN INDEFINITE PERIOD.**

If the decision below is not reviewed, all patent owners who have heretofore brought, or may hereafter bring, suit for infringement of their patents, and perhaps even those patent owners who have merely notified someone of infringement, will be, under the authority of the decision, subject to suit for declaratory judgment by any other individual who is infringing, or merely asserts that he intends to infringe, their patents. Many such suits will no doubt be brought, and jurisdiction thereof will be sustained by district courts following this Court of Appeals' decision as the highest judicial authority. No appeal lies from an interlocutory decree of a district court sustaining jurisdiction until after trial and decree on the merits. Hence no other court of authority equal to that of the Court of Appeals is likely to have an opportunity to pass upon the questions herein raised for an indeterminate time, during which the decision in this case will stand as the law.

It is, we submit, of the utmost importance to the public that this Court review these questions now.

CONCLUSION.

We respectfully submit that the questions presented by this petition (*supra*, pp. 7, 8), are questions of law of the utmost importance, affecting the scope of the Declaratory Judgment Act and patent rights, which have not been, but should be, settled by this Court; that the decision of the Court of Appeals in the present case is not justified by any previous decision, if not actually in conflict with prior authorities; that the interpretation which the Court of Appeals in the present case has placed upon the Declaratory Judgment Act is not in accordance with the intention of Congress as expressed in the Act, nor in the best interests of the public; and that the writ should be granted in order that this Court may authoritatively pass upon these questions.

Respectfully submitted,

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BRIEF FOR THE RESPONDENTS IN OPPOSITION

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In the
Supreme Court of the United States.

OCTOBER TERM, 1942.

No. 290.

AMERICAN ANODE, Inc.,
Petitioner,

v.

DEWEY & ALMY CHEMICAL COMPANY,
Respondent.

BRIEF FOR RESPONDENT IN OPPOSITION
TO PETITION FOR CERTIORARI.

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**BRIEF FOR RESPONDENT IN OPPOSITION
TO PETITION FOR CERTIORARI.**

INTRODUCTION — THE RESPONDENT'S POSITION.

The decision of the District Court held that, as a matter of law, it did not have jurisdiction to entertain the suit. The Circuit Court of Appeals reversed the District Court, correcting its view of the law, and remanded the case "for further proceedings not inconsistent with this opinion"; saying that "on the facts disclosed the court below had jurisdiction to issue a declaratory judgment as prayed in the complaint" (Tr. p. 40), if in its sound judicial discretion that court considered that jurisdiction should be exercised.

Petitioner's first question (Petition p. 7) is based on an incomplete statement of the facts, and the answer to it clearly depends on ~~the~~ circumstances not revealed in the question. The court below found that petitioner was using its patents as an economic weapon and that it had asserted rights against respondent, but did *not* rule that a declara-

tory judgment suit could be maintained *merely* because the patent owner had brought another suit on a similar process. The second half of the question (p. 8) is purely a hypothetical one, not raised by the facts of the case.

Likewise Question 2 is based on an incomplete statement of facts since it assumes as a fact that petitioner had "advanced no claim" against respondent. This ignores the fact that the Court of Appeals found that the petitioner had publicly asserted a broad scope for its patents and was relying on the in terrorem effects of the suit against Lee-*Tex* to bring respondent and others to terms.

These questions are so worded that they present only a part of the picture, and so attempt to raise issues which do not require decision.

Respondent submits that the petition should not be granted because the decision of the Circuit Court of Appeals was correct.

The Declaratory Judgment Act requires that there shall be an "actual controversy". This Court has defined an actual controversy as one appropriate for judicial determination. The case at bar requires the determination of the validity of the patents in suit, and, if valid, of their scope, i.e. whether they are infringed by the processes which the respondent practices. The respondent admits infringement if the claims are valid and if they have the scope asserted for them. This is a "case" or "controversy" cognizable by the Federal Courts and appropriate for judicial determination.

The petitioner argues for a narrow interpretation of the act and that the writ should be granted because petitioner never gave the respondent any formal charge of infringement; respondent replies that to require a formal notice of infringement as a prerequisite to relief under the Declaratory Judgment Act is to put the initiative back in

the hands of the patent owner where it was before the passage of the act and thus to defeat its very purpose.

The petitioner also argues that the writ should be granted because no previous case has decided the precise point involved; but lack of precedent is unimportant when a decision is correct.

And, finally, petitioner argues that the Court of Appeals has usurped the discretion of the District Court; but that argument is based on a misinterpretation of the decision of the Court of Appeals which only holds that, on the facts, the District Court was wrong in deciding that it could not take jurisdiction of the case. In fact, the case was remanded to the District Court for action not inconsistent with the opinion.

Accordingly, respondent submits that the writ should not be granted for the following reasons:—

(1) Because the Declaratory Judgment Act should not be interpreted narrowly to defeat the purpose of the act.

(2) Because the Court of Appeals was right in holding that the facts gave the District Court jurisdiction, if in its judicial discretion, it chose to exercise it. The Court of Appeals has not interfered with the exercise of discretion by the District Court.

(3) Because, since the decision of this Court in *Aetna v. Haworth*, 300 U.S. 227, controls the case and was correctly applied by the Court of Appeals, the case raises no important question of law requiring consideration and decision by this Court.

(4) Because an “actual controversy” exists.

(5) Because, since the decision of the Court of Appeals was correct, the lack of a previous decision “on all fours” with the case at bar is unimportant.

We respectfully submit that petitioner is really trying to get this Court to decide whether the Court of Appeals correctly applied recognized principles to the particular cir-

cumstances of this case,¹ and that the question whether or not a Circuit Court of Appeals has properly applied the law to the facts of a case does not fall within the category of questions of such gravity and general importance as to require a review of its conclusions.²

**THE PURPOSE OF THE DECLARATORY JUDGMENT ACT
IS TO SETTLE LEGAL DISPUTES BEFORE DAMAGE HAS
BEEN DONE—A NARROW INTERPRETATION OF THE
ACT WOULD DEFEAT ITS PURPOSE.**

We submit that the purpose and value of the Declaratory Judgment Act³ is to allow either party to begin proceedings to settle any legal question when the parties have conflicting legal interests. The Declaratory Judgment Act has proved to be a great step forward in judicial procedure. Although its application to patent cases was not contemplated when the act was passed,⁴ it has proved of great benefit in that field,—perhaps as much as in any other,—for it enables a possible infringer who is uncertain of his rights to ascertain what they are before he has piled up damages which may bankrupt him. Before the passage of the act, the possible infringer was helpless in the hands of the patent owner.⁵

The situation in patent cases, before the passage of the act, was particularly inequitable because the patentee could

¹ *National Labor Relations Board v. Waterman S.S. Corp.*, 309 U.S. 206.

² *In re Woods*, 143 U.S. 202.

³ See Borchard on Declaratory Judgments, 2nd Ed. p. 39-40 and 42.

⁴ The first edition of Borchard's Declaratory Judgments, the preface to which is dated on the day after the Federal Declaratory Judgment Act became a law, makes no reference to the possibility of declaratory judgments in cases relating to patents.

⁵ See Borchard (2d Ed.) p. 803.

take his time about bringing suit, sue a weak infringer first, and often choose the most favorable jurisdiction in which to bring suit while the possible infringer had to stand by in helpless inaction.

The Act has been effective in thwarting monopolistic practices since at the outset the patent owner may be brought face to face with a strong opponent. As a result patent owners who, like the petitioner, have indulged in monopolistic practices, have opposed bitterly any broad interpretation of the scope of the act.

In *Zenie Bros. v. Miskend*, 10 Fed. Supp. 779, the defendant asserted that the act was not applicable to patent cases at all. Next, it was asserted that an infringer could not bring suit against a patent owner who had notified the infringer's customers but had not notified the infringer himself. How could there be an "actual controversy" under these circumstances, it was argued. (*Alfred Hofmann, Inc. v. Knitting Machines Corp. et al.*, (C.C.A. 3), 37 Fed. Supp. 578 and 123 F 2d 458. Next, it was asserted that a general notice published in a trade paper was not sufficient to found a suit (See *Treemond Co. v. Schering Corp.*, 122 F. 2d. 702 and *National Hairdressers', etc. v. Philad. Co.*, 34 Fed. Supp. 264). In each of these cases and perhaps in others the court refused to limit the scope of the Declaratory Judgment Act.

In the case at bar the petitioner makes one more attempt to defeat the purpose of the act by arguing that suit will lie only when the patent owner has made some claim of infringement directed to the defendant.

The Declaratory Judgment Act "is a remedial statute and should be construed and applied liberally".¹

We respectfully submit that the Act should be given that

¹ *Zenie Bros. v. Miskend et al.*, 10 Fed. Supp. 779-782 (Patterson D. J.).

interpretation which will make it most effective for its purpose; that it should be construed broadly and not narrowly; and that it should be made effective—not emasculated.

WHAT IS AN "ACTUAL CONTROVERSY"?

In *Smith v. Adams*, 130 U.S. 167, at pp. 173 and 4 this Court said:—

“By those terms are intended the claims or contentions of litigants brought before the courts for adjudication by regular proceedings established for the protection or enforcement of rights, or the prevention, redress, or punishment of wrongs. *Whenever the claim or contention of a party takes such a form that the judicial power is capable of acting upon it, then it has become a case or controversy.*” *

In *Aetna Life Insurance Co. v. Haworth*, 300 U.S. 227, 239-40, this Court said:—

“A ‘controversy’ in this sense must be one that is appropriate for judicial determination . . . A justiciable controversy is thus distinguished from a difference or dispute of a hypothetical or abstract character; from one that is academic or moot. . . . The controversy must be definite and concrete, touching the legal relations of parties having adverse legal interests . . . It must be a real and substantial controversy admitting of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts . . . Where there is such a concrete case admitting of an immediate and definitive determination of the legal rights of the parties in an adversary proceeding upon the facts alleged, the judicial function may be appropriately exercised although the adjudication of the

* Emphasis throughout this brief is ours.

rights of the litigants may not require the award of process or the payment of damages.”

The distinction between “cases” or “controversies” and matters which are not justiciable under the Constitution is between a case “appropriate for judicial determination” on the one hand, and a difference or dispute of a hypothetical or abstract character on the other. The judicial power is capable of acting when an effective decree may be entered which determines the rights and liabilities of the parties. The test is whether a decision will adjudicate rights or merely advise what the law would be on hypothetical facts. If parties have legally conflicting rights of this character and if there is a remedy provided by Congress, then the Federal Courts have jurisdiction.

The case at bar meets all of the requirements for jurisdiction. The petitioner has patents on processes. The respondent employs processes which infringe if the claims are valid and have a broad scope. The respondent has built up a business believing that the claims are invalid or of a narrow scope. If the claims are valid and of a broad scope, the respondent is liable for damages and may be enjoined from employing its processes except on government contracts and the petitioner may sue without notice. A suit to have a patent declared invalid, or to have a process held not to infringe those claims is a suit arising under patent laws of the United States.*

The question whether respondent is infringing any valid patent owned by petitioner is certainly one “which is appropriate for judicial determination”; it is not of a “hypothetical or abstract character”; it is not “academic or moot”; it is a “real and substantial controversy” which “admits of specific relief through a decree of a conclusive

* Judicial Code, Sec. 24(7), 28 U. S. Code, Sec. 41(7).
Zenie Bros. v. Miskend, 10 Fed. Supp. 779.

character"; and, finally, the opinion would not "advise what the law would be upon a hypothetical state of facts."

Accordingly, we submit that the subject matter of this litigation constitutes an "actual controversy" as defined by the Court.

Petitioner would restrict the ambit of the Declaratory Judgment Act by adding one more requisite to those which this Court has said are necessary for an "actual controversy." Petitioner insists on some claim or demand which will bring home to the respondent petitioner's intention to bring suit against respondent. It says "... that the very essence of an actual controversy is an assertion of right advanced by one party and rejected by the other party..." (Br., p. 17). We find nothing in the decisions of this Court which justifies this position. Its incorrectness is apparent. It is the conflict of "legal interests"* requiring judicial determination which is the essential thing, rather than the shouts of protest of the possibly injured party. The interpretation of the Act which petitioner urges would put back in the hands of the patent owner the right to be free from suit as long as he does not say to a particular infringer in so many words "you are infringing my patent." It would permit the patent owner to stand by while damages accrue and to sue in his own good time—the very thing which the Declaratory Judgment Act was designed to prevent.

THE FACTS OF THE CASE AT BAR PRESENT AN "ACTUAL CONTROVERSY".

In the case at bar the petitioner owns the patents in suit among many others (Tr., pp. 3-4, §4-5). When the Lee-Tex Company, an alleged infringer, declined to take a license, petitioner sued it for infringement (Tr., p. 22). Petitioner had previously sued the Pioneer Rubber Co. when that

* Borchard, 2 ed., p. 55.

company refused to take a license (Tr., pp. 21-2). At the trial of the suit against the Lee-Tex Company, the petitioner asserted a scope for the patents which embrace the similar methods practiced by the respondent (45 Fed. Supp. 750). Petitioner's president in the presence of Browne, head of respondent's patent department also said in effect "that it was a disappointment to him that the manufacturers did not recognize the great contribution which Anode had made to the rubber dipping art and now that the manufacturers were ganging up on them they had to put a stop to it" (Tr., p. 22).^{*} Petitioner had made it perfectly apparent, by these acts, that it intended to enforce its patents against whomsoever was infringing, and that its legal campaign to do so had already been begun. Respondent would have been ingenuous, indeed, if it did not realize that its turn as defendant would come eventually.

While, in patent cases, notice of infringement (oral or written) is frequently the most convenient way to prove the assertion of adverse rights, it is not the only way. The question will always be, whether, on all the facts, the assertion of right has been made sufficiently plain, and whether the determination will be on an actual, not a hypothetical state of facts.

The effect of petitioner's conduct is as great as any form of words could have been. The nature of its suits against Pioneer and Lee-Tex should not be discounted. And Albright's statement in Browne's presence that "they had to put a stop to it" *i.e.* to infringement by manufacturers who failed to recognize petitioner's rights, should not be overlooked.

The Court of Appeals realized that petitioner's words

^{*} In its brief and petition, petitioner carefully ignores this statement by its president.

and actions were a threat against respondent and the trade. That court said:—

“It is a fair inference that Anode in bringing suit against the Lee-TeX Company was counting on the in terrorem effect upon other manufacturers; this inference is strengthened by the remark of Anode’s president quoted in Browne’s affidavit” (Tr., 42).

Consequently the court held that the assertion of rights made in and at the Lee-TeX hearing constituted a public assertion of rights as against other infringers who were doing the same thing Lee-TeX was doing.

Petitioner apparently believes that there is no precedent for the statement that its suit against Lee-TeX is a public assertion of its rights. This is not so. In *Montgomery & Ward Co. v. Clair*, 123 F. (2d) 878 (C.C.A. 8) the court said on p. 883:—

“An inventor is not required to litigate the validity of his patent against every possible infringer. A *suit pending to sustain the validity of a patent is notice to all infringers of the insistence of the patentee upon his claimed rights.*”

And, as the Court of Appeals has pointed out in the case at bar, there is no valid distinction between a notice by way of proceedings in open court and a notice published in a trade journal warning all infringers, known and unknown. Yet such notices are generally recognized as claims of adverse rights on which suit for a declaratory judgment can be founded.* Petitioner does not deny this.

Petitioner has made much of the fact that it did not know of the infringement (Br., p. 17). However, actual

* See *Treemond Co. v. Schering Corp.*, 122 F. (2d) 702; *National Hairdressers’, etc. Asso. v. Philad. Co.*, 34 Fed. Supp. 264.

knowledge of infringement is legally immaterial. Patent owners who make threats, or seek to intimidate the trade by publishing "notices" in trade papers rarely know who is infringing. Such notices are given because they bring home the assertion of right to present and potential infringers whether they are known or not.

The presence or absence of knowledge by the defendant does not change the facts as to public notice, assertion of rights, or infringement and it is these facts which lay the basis for suit. In the case at bar, defendant has asserted its rights in its patents, and by suit has given public notice of what it claims to be an infringement; it has not only stated its intention to enforce its asserted rights but is actually enforcing them. We submit that these acts form an adequate basis for the suit.

By insisting on a charge of infringement as the necessary basis for a suit for declaratory judgment, defendant would make patent cases an exception to the general rule applicable to other cases. We submit that such a narrow interpretation of the act is inconsistent with the broad policy of Congress, as expounded by this Court.

IT IS UNIMPORTANT WHETHER THE DECISION OF THE
COURT OF APPEALS IS SUPPORTED BY PRECEDENT.—
IN FACT, IT IS SUPPORTED BY *AETNA v. HAWORTH*
SUPRA, AND OTHER CASES.

Petitioner argues (Petition, pp. 11-16) that the writ should be granted because the Court of Appeals said that: "There is no decided case applying the Declaratory Judgment Act in a situation quite on all fours with the present."

We respectfully submit that this is not a valid reason for granting the writ if the decision of the Circuit Court of Appeals was correct as we respectfully submit that it was; but, in any case, we submit that the decision is fully supported by the *Aetna v. Haworth*, already cited.

**THE COURT OF APPEALS HAS NOT INTERFERED WITH
EXERCISE OF DISCRETION BY THE DISTRICT COURT.**

The petitioner argues (Br., pp. 22-25) that the Court of Appeals has usurped the discretion of the District Court. This argument is based on a misinterpretation of the decision of the Court of Appeals. That Court merely decided that the District Court was wrong in holding that as a matter of law it could not take jurisdiction of the case, and accordingly, having stated the grounds on which the District Court might have come to a contrary decision and instructed the District Court as to the law, it remanded the case to the District Court for further action not inconsistent with the opinion. The Declaratory Judgment Act makes the question of jurisdiction a matter for the exercise of discretion by the District Court on the peculiar facts of each case.¹ The Court of Appeals was careful only to correct the District Court's mistaken understanding of the law and not to interfere with its exercise of discretion. Of course, this discretion is to be exercised in accordance with the correct view of the law as stated by the Court of Appeals.²

Petitioner is much concerned (Br., p. 26) with the effect of the decision of the Court of Appeals on the patent system, but this concern results from petitioner's misconstruction of the decision of the Court of Appeals. It overlooks the fact that the District Courts may be relied upon to exercise their jurisdiction only in cases where the parties' interests require it and may refuse jurisdiction when the infringer's rights are unsubstantiated.

Petitioner further argues (Br., p. 23) that respondent

¹ *Brillhart v. Excess Ins. Co. of America*, 316 U.S. 491.

² *Crosley Corp. v. Westinghouse Elect. & Mfg. Co.* (C.C.A. ³2), 130 F. (2d) 474.

should not be allowed to maintain this suit because petitioner's remedy for infringement is against the United States by suit in the Court of Claims. This argument is based on a mistaken statement of fact; viz. that the processes in question "are . . . being employed only in the manufacture of articles for the United States Government . . ." But Browne's affidavit referring to Process No. 1 described in the Complaint (Tr. p. 4) says:— ". . . that *it was in commercial use when said complaint was filed*, and is still used commercially to make articles for the Government." (Tr. p. 24.)

Petitioner's argument also overlooks the fact that the respondent has agreed to indemnify the United States and therefore is as liable for damages as if suit for damages could be brought directly against respondent. At best this argument is directed to the exercise of discretion by the District Court and not to the power of that court to entertain the suit.

Petitioner further argues, in effect (Br. p. 20) that it may never sue respondent. At best this argument relates to the discretion to be exercised by the District Court, and the words of Mr. Albright reported by Browne (Tr. p. 22) that petitioner "had to put a stop to it", i.e. to infringement of its patents, and petitioner's entire conduct belie the argument. As was said by the Court of Appeals: "It is a fair inference that Anode in bringing suit against the Lee-Tex Company was counting on the in terrorem effect upon other manufacturers; this inference is strengthened by the remark of Anode's president quoted in Browne's affidavit." (Tr. p. 42.)

CONCLUSION.

We respectfully submit:

(1) That the decision of the Court of Appeals has applied established principles of law to the facts of the case, so that no important question of federal law is raised.

(2) That the question whether or not the Court of Appeals has correctly applied the law to the facts of the case does not fall within the category of questions of "such gravity and general importance" as to require a review by this Court, but that the Court of Appeals has in fact correctly applied the law.

(3) That the interpretation put upon the Declaratory Judgment Act by the Court of Appeals is correct and for the best interest of the public.

(4) That this interpretation is clearly in accord with the intent of the Act.

(5) That an "actual controversy" exists, giving to these words the meaning given them by this Court in *Aetna v. Haworth supra*, and

(6) That the Court of Appeals was correct in remanding the case to the District Court "for further proceedings not inconsistent with the opinion."

Respectfully submitted,

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